

**TOWNSHIP OF CLIMAX
KALAMAZOO COUNTY, MICHIGAN**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

YEAR ENDED MARCH 31, 2007

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Climax	County Kalamazoo
Fiscal Year End March 31, 2007	Opinion Date August 15, 2007	Date Audit Report Submitted to State 9-24-07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.


We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>	None issued		
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Flegal & Tibbitts, CPA's		Telephone Number 269-383-1900		
Street Address 2750 Old Centre, Suite 150		City Portage	State MI	Zip 49024
Authorizing CPA Signature 		Printed Name Mary K. Flegal		License Number MI 1101108925

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Township of Climax

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Climax, as of March 31, 2007, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Township of Climax's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Climax, as of March 31, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison information on pages 19 through 22, are not a required part of the basic financial statements, but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The Township of Climax, has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of the financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Climax's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



FLEGAL & TIBBITTS

August 15, 2007

BASIC FINANCIAL STATEMENTS

**TOWNSHIP OF CLIMAX
STATEMENT OF NET ASSETS
MARCH 31, 2007**

	GOVERNMENTAL ACTIVITIES
ASSETS	
CASH AND EQUIVALENTS	\$ 345,595
TAXES RECEIVABLE	17,285
DUE FROM FIDUCIARY	81
DUE FROM OTHER GOVERNMENTS	22,121
	<u>\$ 385,082</u>
 CAPITAL ASSETS:	
LAND	\$ 29,528
OTHER CAPITAL ASSETS, NET OF DEPRECIATION	284,992
TOTAL CAPITAL ASSETS	<u>\$ 314,520</u>
 TOTAL ASSETS	 <u>\$ 699,602</u>
 LIABILITIES	
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	\$ 19,534
LONG-TERM LIABILITIES:	
DUE WITHIN ONE YEAR	32,000
DUE IN MORE THAN ONE YEAR	152,246
	<u>184,246</u>
 TOTAL LIABILITIES	 <u>\$ 203,780</u>
 NET ASSETS	
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	\$ 130,274
UNRESTRICTED	365,548
	<u>495,822</u>
 TOTAL NET ASSETS	 <u><u>\$ 495,822</u></u>

See accompanying notes and accountants' report.

**TOWNSHIP OF CLIMAX
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2007**

FUNCTIONS/PROGRAMS	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>		<u>NET (EXPENSES) REVENUES AND CHANGES IN NET ASSETS</u>
		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	
GOVERNMENTAL ACTIVITIES:				
LEGISLATIVE	\$ 335			(335)
GENERAL GOVERNMENT	163,949	550	5,780	(157,619)
PUBLIC SAFETY	81,628			(81,628)
PUBLIC WORKS	503			(503)
COMMUNITY AND ECONOMIC DEVELOPMENT	5,682			(5,682)
CAPITAL OUTLAY	124,692			(124,692)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 376,789	550	5,780	(370,459)
GENERAL REVENUES:				
TAXES				\$ 226,376
ADMINISTRATIVE FEE INCOME				21,614
LICENSES AND PERMITS				42
GRANTS AND CONTRIBUTIONS NOT RESTRICTED TO SPECIFIC PROGRAM				110,273
UNRESTRICTED INVESTMENT EARNINGS				3,870
GAIN/(LOSS) ON DISPOSAL OF ASSETS				23,083
MISCELLANEOUS				5,545
TOTAL GENERAL REVENUE				\$ 390,803
CHANGE IN NET ASSETS				\$ 20,344
NET ASSETS - BEGINNING				475,478
NET ASSETS - ENDING				\$ 495,822

See accompanying notes and accountants' report.

**TOWNSHIP OF CLIMAX
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2007**

	<u>GENERAL</u>	<u>ROADS</u>	<u>STREET LIGHTS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS				
CASH	\$ 246,276	97,423	1,896	345,595
TAXES RECEIVABLE	7,954	9,177	154	17,285
DUE FROM OTHER FUNDS	8	(126)	199	81
DUE FROM OTHER GOVERNMENTAL UNITS	22,121			22,121
TOTAL ASSETS	<u>\$ 276,359</u>	<u>106,474</u>	<u>2,249</u>	<u>385,082</u>
LIABILITIES AND FUND BALANCES				
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	\$ 12,348			12,348
TOTAL LIABILITIES	<u>\$ 12,348</u>			<u>12,348</u>
FUND BALANCES				
UNRESERVED, UNDESIGNATED	\$ 264,011	106,474	2,249	372,734
TOTAL FUND BALANCES	<u>\$ 264,011</u>	<u>106,474</u>	<u>2,249</u>	<u>372,734</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 276,359</u>	<u>106,474</u>	<u>2,249</u>	
AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET ASSETS ARE DIFFERENT BECAUSE:				
CAPITAL ASSETS USED IN GOVERNMENTAL ACTIVITIES ARE NOT FINANCIAL RESOURCES AND THEREFORE ARE NOT REPORTED IN THE FUNDS				314,520
SOME LIABILITIES ARE NOT DUE AND PAYABLE IN THE CURRENT PERIOD AND THEREFORE ARE NOT REPORTED IN THE FUNDS				(191,432)
NET ASSETS OF GOVERNMENTAL ACTIVITIES				<u>\$ 495,822</u>

See accompanying notes and accountants' report.

TOWNSHIP OF CLIMAX
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2007

	<u>GENERAL</u>	<u>ROADS</u>	<u>STREET LIGHTS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES				
TAXES AND ADMINISTRATIVE FEE INCOME	\$ 103,921	113,599	1,830	219,350
LICENSES AND PERMITS	42			42
STATE GRANTS	110,273			110,273
FIRE PROTECTION SERVICES ASSESSMENT	29,117			29,117
CHARGES FOR SERVICES	3,300			3,300
INTEREST	3,033	837		3,870
OTHER	31,181			31,181
TOTAL REVENUES	<u>\$ 280,867</u>	<u>114,436</u>	<u>1,830</u>	<u>397,133</u>
EXPENDITURES				
CURRENT:				
LEGISLATIVE	\$ 335			335
GENERAL GOVERNMENT	123,563		1,626	125,189
PUBLIC SAFETY	81,628			81,628
PUBLIC WORKS	503			503
COMMUNITY AND ECONOMIC DEVELOPMENT	5,682			5,682
PRINCIPAL	23,671			23,671
INTEREST AND OTHER CHARGES	8,329			8,329
CAPITAL OUTLAY	16,032	125,160		141,192
TOTAL EXPENDITURES	<u>\$ 259,743</u>	<u>125,160</u>	<u>1,626</u>	<u>386,529</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 21,124</u>	<u>(10,724)</u>	<u>204</u>	<u>10,604</u>
OTHER FINANCING SOURCES (USES)				
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>\$ 21,124</u>	<u>(10,724)</u>	<u>204</u>	<u>10,604</u>
FUND BALANCE - BEGINNING OF YEAR	<u>242,887</u>	<u>117,198</u>	<u>2,045</u>	<u>362,130</u>
FUND BALANCE - END OF YEAR	<u>\$ 264,011</u>	<u>106,474</u>	<u>2,249</u>	<u>372,734</u>

See accompanying notes and accountants' report.

**TOWNSHIP OF CLIMAX
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2007**

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	10,604
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.		16,500
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Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.		(31,234)
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Long term debt (i.e. loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has an effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Loan payments		32,000
Interest expense		(7,526)

CHANGE IN NET ASSETS OF GOVERNMENTAL NET ASSETS	\$	<u>20,344</u>
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See accompanying notes and accountants' report.

**TOWNSHIP OF CLIMAX
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
MARCH 31, 2007**

	AGENCY <u>FUNDS</u>
ASSETS	
CASH AND EQUIVALENTS	\$ <u>2,603</u>
TOTAL ASSETS	<u>\$ 2,603</u>
LIABILITIES	
DUE TO GOVERNMENTAL FUNDS	81
DUE TO OTHER GOVERNMENTS UNITS	<u>2,522</u>
TOTAL LIABILITIES	<u>\$ 2,603</u>

See accompanying notes and accountant's report.

**TOWNSHIP OF CLIMAX
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007**

SUMMARY OF SIGNIFICANT ACCOUNT POLICIES

The accounting policies of the Township of Climax (the Township), conform to U.S. generally accepted accounting principles as applicable to governments (hereinafter referred to as generally accepted accounting principles). The following is a summary of the more significant policies.

FINANCIAL REPORTING ENTITY

The Township's basic financial statements include the accounts of all Township operations. The Township has no component units based on the criteria set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in activities) report information on all of the nonfiduciary activities of the Township. The effect of inter-fund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program; and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

MEASUREMENT FOCUS/BASIS OF ACCOUNTING

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

See accountants' report.

**TOWNSHIP OF CLIMAX
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007**

SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (CONTINUED)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences and claims and judgements are recorded only when payment is due.

State grants, licenses and permits, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the government.

The Township reports the following major governmental funds:

General fund is the main operating fund of the Township. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the general fund.

Street light fund accounts for street light expenditures, which are financed through special assessments.

Road fund accounts for road maintenance and repairs expenditures, which are financed through special assessments.

Fire fund accounts for the fire equipment and building expenditures, which are financed through a special millage.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB).

The Township reports two fiduciary funds, its tax collection and agency funds, which account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

See accountants' report.

**TOWNSHIP OF CLIMAX
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007**

SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (CONTINUED)

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

ASSETS, LIABILITIES AND NET ASSETS OR EQUITY

Bank deposits - Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Pooled interest income is proportionately allocated to all funds.

Receivables - In general, outstanding balances between funds are reported as "due to/from other funds." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

Capital assets - Capital assets, which include property, plant, equipment and infrastructure assets (i.e. roads, sidewalks and similar items), are reported in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,500 (\$10,000 for infrastructure assets) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning April 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20-50 years
Office equipment	5-10 years
Vehicles	5-7 years
Fire equipment	5-7 years

Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside third parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

See accountants' report.

**TOWNSHIP OF CLIMAX
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007**

SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (CONTINUED)

Property tax revenue recognition - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year. The Township had no significant budget variations.

CASH

The Township's cash is as follows:

	<u>Governmental activities</u>	<u>Fiduciary</u>	<u>Total</u>
Cash	\$ <u>345,595</u>	<u>2,603</u>	<u>348,198</u>

Deposits are carried at cost and are maintained at one financial institution in the name of the Township. State statutes and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with the statutory authority. At March 31, 2007, the Township has a bank balance of \$323,238. Of the bank balance, \$100,000 is covered by the federal depository insurance and \$223,238 is uninsured.

See accountants' report.

**TOWNSHIP OF CLIMAX
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007**

RECEIVABLES

Receivables as of year end for the Township's individual major and nonmajor funds, in the aggregate are as follows:

	<u>Taxes</u>	<u>Assessments</u>	<u>Governmental</u>	<u>Total</u>
General fund	\$ 7,954		22,121	30,075
Street light fund		154		154
Roads fund		9,177		9,177
	<u>\$ 7,954</u>	<u>9,331</u>	<u>22,121</u>	<u>39,406</u>

All receivables are considered fully collectible.

CAPITAL ASSETS

Other capital asset activity for the year-ended March 31, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Governmental Activities - Capital assets being depreciated:				
Buildings and improvements	\$ 186,557			186,557
Office equipment	6,002			6,002
Vehicles	114,986	16,500	(30,000)	101,486
Fire equipment	246,605			246,605
Subtotal	<u>\$ 554,150</u>	<u>16,500</u>	<u>(30,000)</u>	<u>540,650</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ (30,217)	(8,157)		(38,374)
Office equipment	(3,770)	(744)		(4,514)
Vehicles	(113,558)	(3,393)	30,000	(86,951)
Fire equipment	(106,879)	(18,940)		(125,819)
Subtotal	<u>\$ (254,424)</u>	<u>(31,234)</u>	<u>30,000</u>	<u>(255,658)</u>
Governmental Activities Capital assets (net)	<u>\$ 299,726</u>	<u>(14,734)</u>		<u>284,992</u>

See accountants' report.

**TOWNSHIP OF CLIMAX
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007**

CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions of the township as follows:

Governmental Activities:

General government	<u>\$ 31,234</u>
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LONG-TERM LIABILITIES

Long-term debt at March 31, 2007, is comprised of the following issues:

Fire equipment note payable original issue amount of \$110,000; dated February 2005; issued by Sturgis Bank and Trust; secured by fire millage revenue; interest rate of 5.6% with final maturity dated December 2013.

Fire hall note payable original issue amount of \$121,604; dated December 2004; issued by Sturgis Bank and Trust; secured by fire millage revenues; interest rate of 5.6% with final maturity dated December 2013.

Debt service requirements at March 31, 2007, were as follows:

<u>Year ended March 31,</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 17,625	10,260
2009	22,405	9,595
2010	23,660	8,340
2011	24,995	7,005
2012	26,390	5,610
2013-2014	<u>69,171</u>	<u>14,369</u>
Total	<u>\$ 184,246</u>	<u>55,179</u>

See accountants' report.

**TOWNSHIP OF CLIMAX
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007**

INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

At March 31, 2007, the composition of interfund balances are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General fund	\$ <u>81</u>	
Agency fund		\$ 53
Tax collection		<u>5</u>
		<u>\$ 81</u>

RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

See accountants' report.

REQUIRED SUPPLEMENTARY INFORMATION

**TOWNSHIP OF CLIMAX
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2007**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>GAAP BASIS</u>	<u>FAVORABLE (UNFAVORABLE)</u>
REVENUES				
TAXES:				
CURRENT PROPERTY TAXES	\$ 76,002	76,002	81,830	5,828
TAX COLLECTION FEES	21,871	21,871	21,614	(257)
TRAILER PARK FEES	464	464	477	13
TOTAL TAXES	<u>\$ 98,337</u>	<u>98,337</u>	<u>103,921</u>	<u>5,584</u>
LICENSES AND PERMITS	<u>\$</u>		42	42
STATE GRANTS	<u>\$ 112,168</u>	<u>112,168</u>	<u>110,273</u>	<u>(1,895)</u>
CONTRIBUTIONS FROM LOCAL GOVERNMENTS:				
FIRE PROTECTION SERVICES	<u>\$ 27,890</u>	<u>27,890</u>	<u>29,117</u>	<u>1,227</u>
CHARGES FOR SERVICES:				
LAND DIVISION/SPLITS	\$ 1,450	1,450	550	(900)
CEMETARY LOT SALES	3,500	3,500	2,750	(750)
TOTAL CHARGES FOR SERVICES	<u>\$ 4,950</u>	<u>4,950</u>	<u>3,300</u>	<u>(1,650)</u>
INTEREST	<u>\$ 2,100</u>	<u>2,100</u>	<u>3,033</u>	<u>933</u>
OTHER	<u>\$ 20,343</u>	<u>20,343</u>	<u>31,181</u>	<u>10,838</u>
TOTAL REVENUES	<u>\$ 265,788</u>	<u>265,788</u>	<u>280,867</u>	<u>15,079</u>
EXPENDITURES				
LEGISLATIVE - TOWNSHIP BOARD	<u>\$ 850</u>	<u>850</u>	<u>335</u>	<u>515</u>
GENERAL GOVERNMENT:				
SUPERVISOR	\$ 7,260	7,260	7,260	
ELECTIONS	4,283	4,283	3,262	1,021
ASSESSOR	14,800	14,800	15,927	(1,127)
CLERK	11,850	11,850	12,164	(314)
TREASURER	13,950	13,950	12,480	1,470
HALL AND GROUNDS	11,650	11,650	10,971	679
CEMETERY	13,425	13,425	13,284	141
GENERAL ADMINISTRATION	49,525	49,525	48,215	1,310
TOTAL GENERAL GOVERNMENT	<u>\$ 126,743</u>	<u>126,743</u>	<u>123,563</u>	<u>3,180</u>

See accountants' report.

**TOWNSHIP OF CLIMAX
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2007**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL GAAP BASIS</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
PUBLIC SAFETY:				
FIRE PROTECTION	\$ 74,679	74,679	80,128	(5,449)
ORDINANCE ENFORCEMENT	1,500	1,500	1,500	
TOTAL PUBLIC SAFETY	<u>\$ 76,179</u>	<u>76,179</u>	<u>81,628</u>	<u>(5,449)</u>
PUBLIC WORKS - RECYCLING	<u>\$ 600</u>	<u>600</u>	<u>503</u>	<u>97</u>
COMMUNITY AND ECONOMIC DEVELOPMENT:				
PLANNING AND ZONING ADMINISTRATION	<u>\$ 7,750</u>	<u>7,750</u>	<u>5,682</u>	<u>2,068</u>
CAPITAL OUTLAY	<u>\$ 48,000</u>	<u>48,000</u>	<u>48,032</u>	<u>(32)</u>
TOTAL EXPENDITURES	<u>\$ 260,122</u>	<u>260,122</u>	<u>259,743</u>	<u>379</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 5,666</u>	<u>5,666</u>	<u>21,124</u>	<u>15,458</u>
OTHER FINANCING SOURCES (USES)				
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>\$ 5,666</u>	<u>5,666</u>	<u>21,124</u>	<u>15,458</u>
FUND BALANCE - BEGINNING OF YEAR	<u>242,887</u>	<u>242,887</u>	<u>242,887</u>	
FUND BALANCE - END OF YEAR	<u><u>\$ 248,553</u></u>	<u><u>248,553</u></u>	<u><u>264,011</u></u>	<u><u>15,458</u></u>

See accountants' report.

**TOWNSHIP OF CLIMAX
STREET LIGHT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2007**

	<u>BUDGETED AMOUNTS</u>			
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL GAAP BASIS</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES				
TAXES	\$ 1,634	1,634	1,830	196
TOTAL REVENUES	<u>\$ 1,634</u>	<u>1,634</u>	<u>1,830</u>	<u>196</u>
EXPENDITURES				
GENERAL GOVERNMENT	\$ 1,800	1,800	1,626	174
TOTAL EXPENDITURES	<u>\$ 1,800</u>	<u>1,800</u>	<u>1,626</u>	<u>174</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (166)</u>	<u>(166)</u>	<u>204</u>	<u>370</u>
OTHER FINANCING SOURCES (USES):				
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	\$ (166)	(166)	204	370
FUND BALANCE - BEGINNING OF YEAR	<u>2,045</u>	<u>2,045</u>	<u>2,045</u>	
FUND BALANCE - END OF YEAR	<u><u>\$ 1,879</u></u>	<u><u>1,879</u></u>	<u><u>2,249</u></u>	<u><u>370</u></u>

See accountants' report.

**TOWNSHIP OF CLIMAX
ROADS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2007**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL GAAP BASIS</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
TAXES	\$ 116,000	116,000	113,599	(2,401)
INVESTMENT EARNINGS			837	837
TOTAL REVENUES	<u>\$ 116,000</u>	<u>116,000</u>	<u>114,436</u>	<u>(1,564)</u>
EXPENDITURES				
PUBLIC SAFETY	\$ 5,000	5,000		5,000
CAPITAL OUTLAY	116,000	116,000	125,160	(9,160)
TOTAL EXPENDITURES	<u>\$ 121,000</u>	<u>121,000</u>	<u>125,160</u>	<u>(4,160)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (5,000)</u>	<u>(5,000)</u>	<u>(10,724)</u>	<u>(5,724)</u>
OTHER FINANCING SOURCES (USES)				
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>\$ (5,000)</u>	<u>(5,000)</u>	<u>(10,724)</u>	<u>(5,724)</u>
FUND BALANCE - BEGINNING OF YEAR	<u>117,198</u>	<u>117,198</u>	<u>117,198</u>	
FUND BALANCE - END OF YEAR	<u><u>\$ 112,198</u></u>	<u><u>112,198</u></u>	<u><u>106,474</u></u>	<u><u>(5,724)</u></u>

See accountants' report.